

Investing in Arizona's Future: Ensuring Access to Higher Education

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What does Investing in Arizona's future mean?

Increasing access to higher education for all Arizona citizens is an investment in ourselves. The trend over the last decade in Arizona is to overlook the importance of increasing the educational opportunities for all of our population. It is as if we have forgotten that we are the stakeholders and that when we seek to give back for greater social good we all stand to benefit. Arizona stands at the threshold of a crisis created by high growth. But, crisis creates opportunities. What if families, governments, and the private sector were to invest in grants, scholarships and other aid for these increasing numbers coming down the educational pipeline? The results of an educated populace could lead to greater productivity that surely would boost the economic growth of the state.

Is there a Crisis of Opportunities?

There are a number of forces in Arizona that are undermining access to higher education for an increasing number of low and median income families. Here is a brief overview of the financial landscape that has brought us to this juncture: Families and potential students are faced with a fear of debt, due to rising college tuition, unmet need, tuition increases, rigid Pell grant calculations (tuition increases, yet the Pell grant has remained the same). There is also the existence of multi-cultural barriers and a dearth of need-based scholarships. This has created a crisis environment where some do not even make it to the application stage. Of all students affected by financial barriers, the low-income access is the most critical in our state.

According to the *State Report Card on Higher Education*, from the National Center for Public Policy and Higher Education, *Measuring Up, Arizona, 2004*, "Arizona is the lowest performing state in the percentage of young adults earning a high school diploma or general education development (GED) diploma by age 24." However, with Arizona as one of the fastest growing states in the country, it is projected that Arizona will have a 20 percent increase in high school graduates (Arizona Republic, *Low-Income People Out of Luck*, 2002). Of those that do graduate increasing numbers of students from median and lower income families are motivated and academically prepared to apply to college. These college-bound students are often faced with financial barriers that effectively deny access. As a result, college entry rates and completion rates are the lowest in decades, especially for low-income students. Financial barriers lower the probability of completion. Our completion grade on our state report card was C+. (*Measuring Up, Arizona, 2004*). We as a statewide community should see it as a civic responsibility to support these children through the entire academic pipeline from K-12 through to baccalaureate degrees.

While I often tell students at commencement “education is the best investment you will ever make,” I am keenly aware of the fact that most students will leave college with a substantial college debt. According to Sandy Baum and Marie O'Malley, “The average undergraduate debt is \$18,900, up 66 percent from \$11,400. in 1997,” (*College on Credit: How Borrowers Perceive their Education Debt*, , 2003). Thus, access to higher education, especially four-year colleges and universities, is limited by increasingly high levels of unmet need according to recent research by the Advisory Committee on Student Financial Assistance. The ACSFA defined unmet need as the residual educational cost after all financial aid, including loans, is awarded.

The Arizona Community Foundation report, *Unmet Need in Arizona*, 2004 , defined unmet need as “The calculated cost of attendance not met by expected family contribution, grants, scholarships, and waivers, subsidized loans, and federal work study.” The report cites that an “independent student” at one of the major Arizona universities can expect an unmet need, ranging as high as 65.1 %.” According to the *Investing in America's Future* report, 2004, the average annual unmet need facing high school graduates by family income, for public four-year institutions, was \$3,800. for low income, \$2,250 for middle income, and could range as high as \$6,200. for low income students going to a private college (Source: SCSFA, 2003). It won't be getting better anytime soon. For the last two decades, college tuition has been increasing at two to three times the rate of inflation, and has outpaced federal efforts to increase student aid. (Congressman Boehner, before the House Committee on Education and the Workforce Advisory Committee on Student Financial Assistance, 2002). The College Board finds that during the 2003-04 school year, tuition at public four-year and two-year colleges rose to its highest rate in three decades. It argues that while wealthy families can keep pace with the rising cost of tuition at postsecondary institutions, low-income and middle-class families increasingly struggle to afford a college education. (*College Board's Annual Survey of Colleges*, 2003).

Do we need a more educated Arizona workforce?

Why is education and access so important? The real wage and job growth in Arizona is in the high-skilled service sector requiring a bachelor's degree, according to the U.S. Labor Statistics. Arizona is increasingly moving from a service economy to an economy powered by technology. Jobs in the computer support and database administration are among the fastest growing in Arizona, but generally require a bachelor's degree, according to the *Occupational Outlook Handbook*, U.S. Labor Statistics, 2004-5. The number of jobs requiring a college degree has increased to make this country and state a knowledge-based economy. The baccalaureate degree is the new high school diploma. Therefore the answer to both questions posed above is yes. We need a more educated workforce and the low income families of high school graduates are left with a crisis of opportunities: do I send my son or daughter to college and take on the burden of debt, or deny them the possibilities, which may consign them to the unskilled labor force of tomorrow? Finally, college graduates that stay in the state earn more money, vote more often, have better mental and physical health and therefore contribute more to Arizona, and the nation.

Changing demographics and what it means for Arizona.

Arizona's population has the typical changing demographics of a global society, and yet those ethnic populations increasing the fastest also have lowest graduation rates from high school and lowest college completion. This will eventually impact the state. Half of the population under 18 in both Phoenix and Tucson is now Latino. It is estimated that within the next 20 years, Latinos will make up over one-half of the homegrown labor force. (*Five Shoes Waiting to Drop* a report from The Morrison Institute, Arizona State University, Oct. 2001, As cited in "Arizona at Risk" Governor's Task Force on Higher Education). In addition, it is generally agreed that all colleges in the state will increase the proportion of Latinos, Native American, African-American and Asian-American students.

For Arizona stakeholders, and that means all of us, providing funds to ensure access to higher education for these minority populations will be key to the economic growth in Arizona's future. What would it mean for Arizona in real dollars if all Arizona citizens had equal access to higher education and thereby similar earning power? "If all ethnic groups had the same educational attainment and earnings the total personal income in the state would be about \$5.4 billion higher" (*Measuring up, Arizona. 2004*, p11). Our diverse populations will also play an increasing role in influencing the educational attainment of workers entering the Arizona labor market. The private sector and Arizona state policy should focus not only on increasing the number of college graduates, but also on achieving a balance in the educational attainment of ethnically diverse communities.

So how do students pay for their college costs today?

According to EdFund, 2004, more than one in three students today take out a federal loan for college. The good news from Financial Aid offices around the state is that there is more information readily available on loan options than ever before. The customer service appears to be at an all time high. However, increasing debt puts motivated students in the pragmatic dilemma of making choices based solely on financial considerations.

Some use credit cards. The median credit card balance for those who have used credit cards to pay for education is \$3,400 upon graduation compared to a median balance of \$1,600 for other students who did not use credit cards to pay for their education; Students who used credit cards to pay for school had a 20% higher debt -- \$21,200 -- than those who did not use credit cards for this purpose. (Source: *College on Credit: How Borrowers Perceive their Education Debt*, Sandy Baum and Marie O'Malley, 2003.)

Applying for grants

The Federal Pell grant is a need-based grant awarded ranging from \$400. to \$4,050. However, the current Pell Grant formula defines low-income families very rigidly due to lack of federal funding necessary to broaden eligibility standards. However, there is discussion through the Higher Education Act Re-Authorization that the while the Estimated Family Contribution (EF) calculation may get tougher, there might be

increased loan eligibility and loan amounts. The Education & the Workforce Committee and Pell grant Caucus have introduced the Pell Grants Plus Act to help improve access to higher education for hardworking students with demonstrated financial need. The Pell Grants Plus Act would provide additional grant aid of up to \$1000 for the needy (John Boehner, Bill Summary, House Education & Workforce Committee, 2004). Arizona is a participating state.

Applying for Financial Aid in Arizona

Online, the *Financial Aid Resources* site has plenty of links for Arizona students. The “Grants” link, free *Money for College* and the *Fast Web Scholarship Search* are helpful. Student’s initial applications are on the federal front by completing and filing of the FAFSA on the Web. There is a very helpful workbook entitled *Fund Your Future*, 2005-2006 Arizona, by EdFund that provides information on scholarships, loans and other financial aid for college. Government forms have been simplified. The web site www.edfund.org brings the latest news of financial aid to your fingertips, including what’s available and how to apply. Award money arrives in a timelier manner than in the days of manual applications. Government, lender, and institutional websites are user-friendly and comprehensive today. The healthy competition between educational institutions has contributed to better product.

Will financial aid and grants cover my education?

The answer is, probably not. There are still those many motivated and qualified academically who will have unmet needs outlined earlier. Only those who demonstrate the inability to pay, based on a federal need analysis formula, may receive assistance through the need-based federal aid programs. Using the calculation for EFC parents and students are expected to pay as much toward their tuition and other education expenses as possible, given their financial circumstances.

The good news is that currently the Federal Stafford Loan is down to 2.77%. The Federal Plus Loans are for parents who need to borrow for their child’s undergraduate education. The Federal Plus Loan is down to 4.7 %, which is the lowest in the history of federal loans. Students can consolidate loans with better payment options. The competition among lenders has added to better payment options. While there are more alternative loans than ever before, because of limited grant and deferred payment loan funding, alternative loans that are necessary to bridge the unmet need may fall short. Most would require making payments while still in school which is a hardship for median and low-income families today. Diana Mateer, vice president ASAP/Union Bank and trust, reports “Lack of credit or bad credit history requires students or families into payments at higher interest rates or shorter repayment terms, and a continued cycle of debt.” (Arizona Commission for Postsecondary Education, Need Based Financial Aid Task Force, 2004).

Are scholarships in Arizona worthwhile pursuing?

The only scholarship that AZ has is the Leap grant which but the funding is very limited. Perhaps in some cases scholarships can provide some relief, but applying in the current environment is a daunting task for some. Most available scholarships tend to be merit

based. Students need to be motivated to spend an hour or so to apply for scholarships that at first seem out of reach. According to Carol Clapp, Director of Financial Aid for Collins College, “most students do not take advantage of this opportunity.” One of the best sites is *Arizona College Answer*. “You can put in your profile and e-mails you related scholarship information,” Carol asks, “Isn’t an hour of your time worth \$1000?”

Is anyone taking on this task of “Ensuring Access to Higher Education?”

There are positive forces at work in Arizona. I have the honor of serving on one of the focus groups for the Arizona Commission for Postsecondary Education Need Based Financial Aid Task Force that has identified financial barriers to postsecondary access for low-income students, their effects on the state. Dr. April Osborn, Executive Director Arizona Commission for Postsecondary Education and the Task Force are committed to increasing awareness and calling to action the stakeholders (read: this means you), in order to abate the crisis of access to higher education for many of the low and median income families, and diverse, multi-cultured population of Arizona. Also on the committee is Dr. Jose Luis Santos who, with the support of USA Funds, is preparing a White Paper and report extensive regarding these critical issues.

What do we need to do in order to Invest in Arizona’s Future?

It is clear that we need a reform of Arizona’s financing policies and promoting policies that are committed to broad access to higher education. We need initiatives and programs that encourage a partnership among federal, state, institutional and corporate entities. We need commitment of increased state student aid dollars for need-based grants. We need assistance from the major universities and private educational institutions, policymakers, private sector as the stakeholders. We need to form partnerships through a central funding clearinghouse in the form of need-based scholarships, and grants that place significant dollars directly in the hands of the need-based population of Arizona for the social good and welfare of the state.

Although there is an abiding cynicism to overcome in the academic, corporate and government environment today, the results of combined focus and efforts such as those from the Arizona Commission for Postsecondary Education Need Based Financial Aid Task Force promises to shine a positive light on our possibilities. It will take a sense of vision and teamwork from all of us focusing on need-based adult students going back to school and college-bound Arizona youth, to increase the chances for Arizona’s bright future by investing in ourselves.